

MONTHLY REVENUE REPORT

October 2007

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.78 billion in October, which was up 1.1% from last year's level. These tax collections were right on target with the estimate for October based on the Senate Fiscal Agency's monthly breakdown of the May 2007 consensus revenue estimate. The increase in October tax revenue was concentrated in the income, tobacco, and industrial facilities taxes. October marked the fourth consecutive month that tax collections have topped the year-ago level.

While FY 2006-07 ended September 30th, the tax revenue collected in October that became a liability prior to October 1, 2007, will be accrued back to FY 2006-07. Final tax revenue for FY 2006-07 will be determined after all of the revenue accruals and other book-closing adjustments have been made, which should be completed sometime in December. Based on cash collections from November 2006 through October 2007, it appears that overall tax revenue for FY 2006-07 will exceed the May 2007 consensus estimate by approximately \$110.0 million. General Fund tax revenue will be up an estimated \$70.0 million and School Aid Fund tax revenue will be up about \$40.0 million. In addition, School Aid Fund revenue will be up another \$35.0 million due to the fact that lottery revenue exceeded expectations in FY 2006-07.

Income tax revenue totaled \$587.1 million in October, which was up 4.4% from last year's level. This increase was due to an increase in gross collections and a slight decline in refund payments. Increases in withholding, quarterly, and annual payments boosted gross collections 3.2%. Withholding payments were up 2.1%; however, most of this growth was probably due to the recent increase in the income tax rate from 3.9% to 4.35%, effective October 1, 2007. It is not clear how fast employers switched to the new withholding amounts, but it is estimated that about \$10.0 million of October's withholding payments were due to the rate increase. Based on FY 2006-07 cash collections, income tax revenue is up about \$100.0 million from the consensus estimate.

Sales tax receipts totaled \$604.0 million in October, which was down a slight 0.1% from last year's level. Sales tax collections from motor vehicle transactions totaled \$67.0 million, representing a 17.3% increase from the year-ago level. Sales tax revenue from all other taxable retail transactions totaled \$537.0 million, which was down 1.9% from last year. Based on cash collections for FY 2006-07, sales tax collections are down 1.2%, and compared with the May consensus revenue estimate, sales tax revenue appears to be short of the estimate by about \$10.0 million.

Single business tax collections totaled \$236.3 million in October, representing a 4.9% decline from last year's level. Total cash collections for FY 2006-07 are down 6.0%.

Industrial facilities tax (IFT) revenue jumped 66.7% in October to \$57.5 million. School districts are required to deposit their share of local IFT revenue to the School Aid Fund. Through September, IFT tax collections were trailing the May consensus estimate, so it appears that the large payment in October was primarily due to a shift in the timing of these tax payments compared with last year.

Tobacco tax receipts increased 17.7% in October to \$111.5 million. This large increase in tobacco tax revenue helped boost FY 2006-07 collections to a level that is very close to the consensus estimate.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



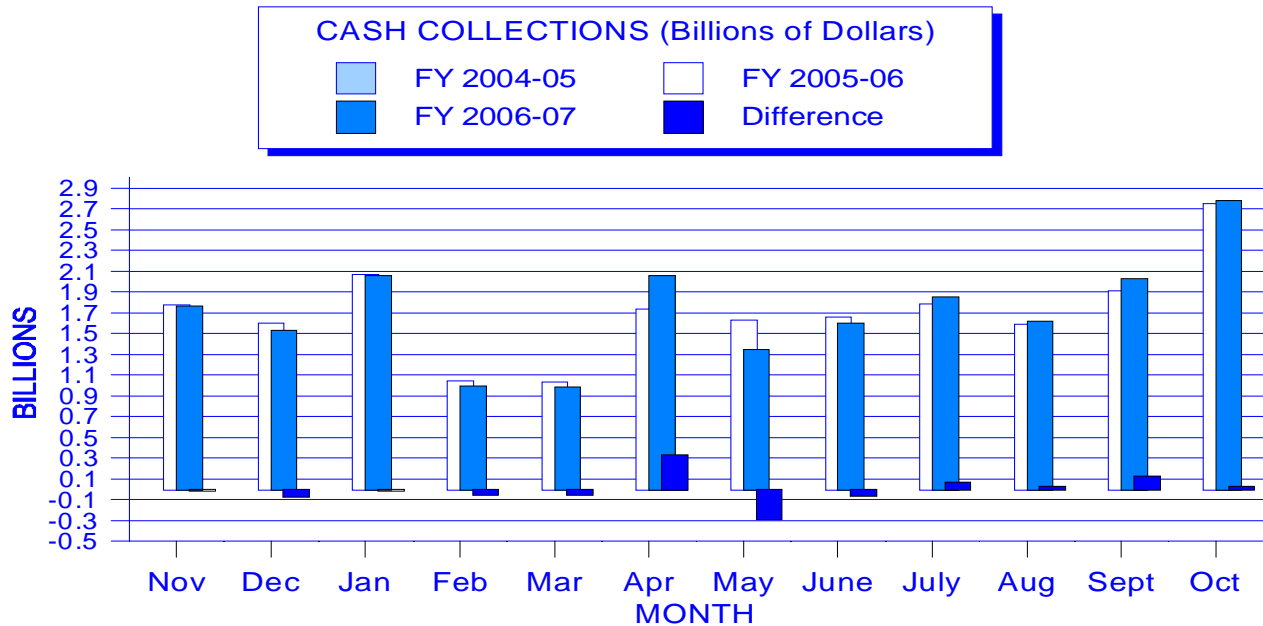
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MICHIGAN REVENUE UPDATE
OCTOBER 2007
(dollars in millions)

Type of Revenue	October Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$620.5	3.2%	\$8,155.0	3.7%	\$8,037.8	2.4%
Refunds	(33.4)	(13.9)	(1,699.3)	3.1	(1,700.7)	4.6
Net Income Tax	\$587.1	4.4%	\$6,455.7	3.9%	\$6,337.1	1.8%
Sales Tax	604.0	(0.1)	6,565.2	(1.2)	6,562.3	(1.1)
Motor Vehicles	67.0	17.3	732.6	2.4	---	---
All Other Sales Tax	537.0	(1.9)	5,832.6	(1.6)	---	---
Use Tax	134.1	(3.2)	1,376.7	0.5	1,394.5	1.4
Tobacco Taxes	111.5	17.7	1,149.5	(1.7)	1,137.0	(2.7)
Single Business Tax	236.3	(4.9)	1,799.2	(6.0)	1,810.3	(1.7)
Insurance Tax	31.7	(3.9)	216.9	(5.9)	216.0	(1.6)
State Education Property Tax	973.0	(1.5)	2,060.3	4.9	2,069.1	3.3
Real Estate Transfer Tax	19.9	(9.1)	238.0	(22.1)	226.2	(24.0)
Casino Wagering Tax ⁴⁾	0.0	0.0	159.4	4.6	163.0	4.8
Oil & Gas Severance Tax	4.3	(24.6)	65.7	(22.0)	62.0	(23.9)
Other Taxes ⁵⁾	77.0	44.8	465.5	1.7	457.2	2.5
Total	\$2,778.9	1.1%	\$20,552.1	0.2%	\$20,434.7	(0.1)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$177.1	4.1%	\$2,342.8	5.9%	\$2,290.3	3.6%
Net to School Aid Fund ⁴⁾	\$ 57.7	(0.9)%	\$ 745.8	8.9%	\$ 710.0	3.2%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.
4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.
5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
November 2005 to October 2007



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.